

**REPORT OF** DAP Audit Manager  
**To:** Audit & Governance Committee of 18 January 2022  
**Subject:** Assessment on Managing the Risk of Fraud and Corruption  
**Date:** 5th January 2022

**PURPOSE OF REPORT:** To advise the Audit & Governance Committee of the results of an assessment against the CIPFA code of practice on Managing the Risk of Fraud and corruption.

## 1. INTRODUCTION

CIPFA's Counter Fraud Centre has a code of practice on managing the risk of fraud and corruption (see <https://www.cipfa.org/-/media/files/services/ccfc/cipfa-code-of-practice-on-managing-the-risk-of-fraud-and-corruption.pdf>).

The guidance emphasises the need for public service organisations to take responsibility to embed effective standards for countering fraud and corruption in their organisation. This supports good governance and demonstrates effective financial stewardship and strong public management.

This guidance is supplemented by the government's "Fighting Fraud Locally – the Local Government Fraud Strategy for the 2020s".

## 2. THE SCALE OF FRAUD & CORRUPTION

Fraud affects the UK across all sectors and causes significant harm. The Office for National Statistics states that one in 16 members of the population is likely to fall victim. The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

The last, most reliable, and comprehensive set of local authority figures was published by the National Fraud Authority in 2013 and indicates that the fraud threat may be costing the UK up to £52bn a year. The risk of fraud has increased significantly during the pandemic, including significant loss of public money related to the public money used to support society.

Within these figures the fraud loss to local authorities totalled £2.1bn, but more recent estimates are higher. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn (in 2017) of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn. The 2021 version of this report says the ONS has reported a 19.8% increase in the incidence of fraud in England and Wales during the Covid-19 emergency.



CIPFA estimated in 2013 the types of fraud risk relevant to local authorities in the table below:

Estimated Local Government Fraud Loss 2013	
Fraud Type	Estimated loss
Housing tenancy fraud	£845m
Procurement fraud	£876m
Payroll Fraud	£154m
Council Tax fraud	£133m
Blue Badge Scheme misuse	£46m
Grant fraud	£35m
Pension fraud	£7,1m

Annual Fraud indicator 2013

Not all of the above fraud risks are relevant to Torridge, but the charts and information in the report, provide guidance on possible fraud areas and how to prevent, detect and investigate such fraud.

### 3. ASSESSMENT REPORT

The report at Appendix A is a DAP assessment of the standards in place at Torridge Council against the CIPFA code of practice.

Members of the Committee will note that, by and large, effective and appropriate standards are in place. There is an ongoing need to ensure that policies and procedures follow best practice and legislative requirements, and regular updates of practices assists in this. Overall, there are good principles to prevent, detect and investigate instances of fraud and corruption.

Internal Audit will continue to ensure that standards and practices are embedded and remain effective at deterring and preventing fraud.

### 4. IMPLICATIONS

#### Legal Implications

Compliance with the CIPFA code of practice on Managing the Risk of Fraud and Corruption.

#### Financial Implications

None

#### Human Resources Implications

None



Sustainability Implications

None

Equality/Diversity

None

Risk Management

The external auditor provides members with assurance on the Financial Statements.

Compliance with Policies and Strategies

None

Ward Member and Lead Member Views

Not consulted in advance of meeting.

**5. CONCLUSIONS**

Overall, the self-assessment provides good assurance that sound and effective fraud prevention arrangements are in operation.

**6. RECOMMENDATIONS**

Committee are asked to note:

The range of controls in place to reduce the risk of fraud and corruption, supported by Internal and External Audit.

**SUPPORTING INFORMATION**

Consultations: David Heyes Finance Manager and Section 151 Officer

Contact Officer: Paul Middlemass, Devon Audit Partnership Audit Manager

Background Papers: CIPFA code of Practice on Managing the Risk of Fraud and Corruption  
Fighting Fraud and Corruption Locally – a strategy for the 2020s.



**Torridge District Council**  
**Managing the Risk of Fraud and Corruption**  
**Fighting Fraud & Corruption Locally (FFCL) 2021 - Assessment of compliance**  
**January 2022**

1. CIPFA has a Fighting Fraud & Corruption locally strategy, companion, and checklist. It is against this checklist that the self-assessment has been completed.
2. The CIPFA strategy and companion are recommended reading, and available for download from the CIPFA website. Simply go to the CIPFA website (cipfa.org) and search for “Fighting Fraud and Corruption”, or follow this link <https://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>
3. Previous CIPFA strategies focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were ‘Acknowledge’, ‘Prevent’ and ‘Pursue’. Two new pillars (“Govern” and “Protect”) were added to the current strategy. The pillar of ‘Govern’ sits before ‘Acknowledge’. It is about ensuring there is appropriate tone from the top and should be included in local counter fraud strategies.



5. CIPFA reports that local authorities have achieved success by following this approach; however, they now need to respond to an increased threat, and further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and focused on the key changes that will make the most difference.
6. Counter fraud response should be considered against each six key themes: -
  - Culture
  - Capability
  - Capacity
  - Competence
  - Communication



- Collaboration

7. The following pages set out the expected response from a local authority, and our assessment of Torridge's arrangements against expectations.

<b>CIPFA expected Local Authority response to the risk of fraud and corruption.</b>	<b>Torridge current position and action</b>
<p>1. The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.</p>	<p>The Authority annually prepares a Fraud and Corruption risk register. This provides a systematic identification of the risks and controls to address these risks. The latest version was prepared in December 2021. It includes consideration of the fraud risk related to Government Grants, which is a high-risk area for the public service.</p> <p>The risk register is subject to review by the Senior Management Team.</p> <p>The Corporate Risk Register, which includes the Fraud risks, is taken to the Audit &amp; Governance Committee.</p>
<p>2. The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community</p>	<p>Yes.</p> <p>The fraud risks to the Authority are assessed at least annually and are updated as and when new risks arise.</p> <p>In terms of horizon scanning, internal audit (DAP) provide updates on emerging fraud risks and the Devon Audit Group also helps to inform officers of locally developing issues.</p> <p>A local network of key contacts also helps to identify trends and developments.</p>
<p>3. There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.</p>	<p>Yes.</p> <p>Each year a report is taken to the Audit &amp; Governance Committee, reporting the results of a self-assessment (this document) against the CIPFA code of practice on Managing the Risk of Fraud and corruption.</p>
<p>4. The relevant portfolio holder has been briefed on the fraud risks and mitigation</p>	<p>The Chair of the Audit &amp; Governance Committee will be briefed on fraud risks and the mitigations thereof.</p>
<p>5. The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.</p>	<p>Yes.</p> <p>The Audit &amp; Governance Committee supports all officers in their work to prevent, detect and investigate fraud and corruption.</p> <p>Officers from partner organisations (e.g., Devon Audit Partnership) are used to provide specialist skills and additional resources as and when required for counter fraud activity.</p>



<p>6. There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.</p>	<p>Yes.</p> <p>The Authority has in place an <a href="#">Anti-Fraud, Corruption Bribery Policy and Strategy</a>. This was updated in October 2019, with the next review scheduled for 2022/23 or as required.</p> <p>The Strategy is taken to, and approved by, the Audit &amp; Governance Committee.</p>
<p>7. The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>Yes.</p> <p>Section 5 of the Strategy sets out various policy statements that cover staff, members, partner organisations and members of the public, which ensure probity and propriety are in place.</p> <p>However, no system or process can ever be 100% secure, and so employee diligence is always needed, and this referred to in section 6 "deterrence and prevention".</p> <p>The Council includes anti-bribery clauses in contracts with third parties and agents.</p> <p>It also reports all procurement waivers to Audit &amp; Governance Committee.</p>
<p>8. The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</p>	<p>Yes.</p> <p>The top fraud and corruption risks are included in the council's risk register.</p>
<p>9. Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.</p>	<p>The Authority does not have a dedicated "counter fraud" team. This role is instead undertaken by a range of officers, including the Finance Manager and by officers from Internal Audit (DAP).</p> <p>New policies and strategies are always considered in the light of possible fraud and corruption and are designed to limit such exposure.</p>
<p>10. Successful cases of proven fraud/corruption are routinely publicised to raise awareness.</p>	<p>Successful cases of proven fraud / corruption will be reported in the local paper.</p> <p>In addition, such cases will be referred to in the internal newsletter and the Members Bulletin.</p>
<p>11. The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.</p>	<p>Systems are designed to prevent fraud occurring. The diligence of management and staff is also key in this.</p> <p>A risk assessment is undertaken of the key risks of fraud, and the controls in place to prevent this taking place.</p> <p>The annual Internal Audit plan is prepared taking in to account risks, which include fraud risks. Internal audit will provide assessment on the effectiveness of controls, and test controls to ensure that they are being complied with in practice.</p>



	<p>The Audit and Governance Committee is given reports on risk, and the results of Internal Audit, and this, combined with management assessment of controls, is summarised in the Annual Governance Statement.</p> <p>The Strategy at 5.9 refers to “any major instances of fraud will be reported to the next Audit &amp; Governance Committee.”</p>
12. The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:	
– codes of conduct including behaviour for counter fraud, anti-bribery and corruption	<p>Yes.</p> <p>The Strategy, section 6.9 to 6.14 refers to the code of conduct for staff and at 6.15 to 6.17 the code of conduct for members.</p> <p>There is a member’s code of conduct that was prepared in August 2018 and updated in 2020. The Standards Committee of the Council is responsible for overseeing the conduct of District Councillors and Parish / Town Councils within the district.</p>
– register of interests	<p>Member interests are detailed under each Councillors profile under “Your Councillors” on the council website.</p>
– register of gifts and hospitality.	<p>Yes.</p> <p>A register of gifts and hospitality is maintained, and this is published online.</p> <p>See: <a href="https://torridge.gov.uk/article/20504/Gifts-and-Hospitality-Register">https://torridge.gov.uk/article/20504/Gifts-and-Hospitality-Register</a></p>
13. The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.	<p>TDC have two policies; ‘recruitment’ and ‘employment screening’ which cover the employee vetting. All offers of employment are subject to satisfactory pre-employment checks.</p> <p>Mandatory checks include: -</p> <ul style="list-style-type: none"> <li>• References</li> <li>• Verification of employment history</li> <li>• Verification of professional qualifications and memberships</li> <li>• Verification of ID, nationality and immigration status and right to work in the UK</li> <li>• Medical clearance</li> </ul> <p>Some posts require additional checks including</p> <ul style="list-style-type: none"> <li>• Disclosure Barring Services</li> <li>• Credit checks</li> <li>• Checks on company directorships held,</li> </ul>



	resigned, or disqualified from (not routinely undertaken)
14. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	<p>Yes.</p> <p>At the start of each meeting a declaration of interests is requested.</p> <p>The Communications Team will remind all officers and members of the need to declare all offers of gifts and hospitality. Such a reminder is made in the internal newsletter.</p>
15. There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	<p>There is an annual calendar that supports the staff newsletter to ensure that fraud awareness updates are provided at least biannually, whistleblowing reminders are provided biannually, and gift &amp; hospitality reminders are provided yearly.</p>
16. There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	<p>Yes.</p> <p>A separate <a href="#">Whistleblowing policy</a> is in place and was updated in January 2020. This details how employees, members, contractors, suppliers of goods and services and agency staff can raise concerns, and how they will the council will respond.</p>
17. Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	<p>The whistleblowing policy applies to staff of Council contractors, suppliers of goods and services and agency staff.</p>
18. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	<p>Since the transfer of benefits counter fraud staff to Department for Work and Pensions (DWP), fraud resources have been limited.</p> <p>The internal audit provider (DAP) has a Counter Fraud Team working from Plymouth. The team has fully trained and qualified counter fraud specialists. The Authority will look to “call off” resources as and when the need arises.</p>
19. There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority’s business and includes activities undertaken by contractors and third parties or voluntary sector activities.	<p>There is no annual fraud plan as such.</p> <p>However, there are a range of “work programmes” prepared each year, including actions arising for the Annual Governance Review process, Risk Management, and Internal Audit.</p> <p>The elements of each of these various plans enables senior management to be assured that suitable resources are being allocated to prevent, detect and investigate fraud.</p> <p>However, it should be noted that the current level of referrals of fraud and corruption are limited.</p>
20. Statistics are kept and reported by the fraud team which cover all areas of activity	<p>The Strategic Improvement Officer, in conjunction with the S151 officer, will maintain</p>





and outcomes.	a record of referrals. However, and as referred to above, there is no separate fraud team.
21. Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	As stated above there are no dedicated “fraud officers”. However, to support counter fraud investigations appropriate access would be granted. For example, if DAP were asked to conduct an investigation using their Counter Fraud Team, then “full access” would be granted as per the service level agreement already in place.
22. There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council’s communication team.	Not a programme as such, but cases will be publicised in the local newspaper and via the internal newsletter and the Members bulletin.
23. All allegations of fraud and corruption are risk assessed.	Yes. Each referral or suspicion will be “risk assessed” before embarking upon a course of action proportionate to the issue and in line with Torridge’s “zero tolerance” policy.
24. The fraud and corruption response plan covers all areas of counter fraud work: <ul style="list-style-type: none"> <li>• Prevention</li> <li>• Detection</li> <li>• Investigation</li> <li>• Sanctions</li> <li>• Redress</li> </ul>	As mentioned above, there is no response plan as such, however the Strategy ensures that each of these elements is considered.
25. The fraud response plan is linked to the audit plan and is communicated to senior management and members.	See above
26. Asset recovery and civil recovery is considered in all cases.	Yes. Section 7.9 to 7.12 of the Strategy deal with Sanctions and Redress.
27. There is a zero-tolerance approach to fraud and corruption which is always reported to committee.	Yes. There is a “zero tolerance approach to fraud, endorsed by the Audit & Governance Committee.  Instances of fraud and corruption are reported to the Audit & Governance Committee. Due to the sensitive nature of some instances, this may be in summary form.
28. There is a programme of proactive counter fraud work which covers risks identified in assessment.	Proactive counter fraud work is delivered in a variety of ways each year. Some examples of how this is achieved include: - <ul style="list-style-type: none"> <li>• Participation in the bi-annual National Fraud Initiative (NFI)</li> <li>• Elements of internal audit work focused on controls that may be more susceptible to fraud risk</li> <li>• Work by Service Managers – such as Council Tax Single Persons Discount</li> </ul>



	review
29. The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	There is no “fraud team” as such, however early referral to the Police or other agencies will be considered as part of the risk assessment for each referral.
30. The local authority shares data across its own departments and between other enforcement agencies.	Yes, and as expected. The main external data sharing is via the National Fraud Initiative (NFI).
31. Prevention measures and projects are undertaken using data analytics where possible.	Yes. Such examples include making good use of <ul style="list-style-type: none"> <li>• the NFI</li> <li>• Council Tax - Single persons discount review</li> </ul>
32. The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	Yes. Data is submitted every two years, with “matches” then investigated in accordance with the scoring of the match (e.g., higher scored matches reviewed first, lowest reviewed last and in accordance with resources available).
33. There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work, they too must be trained in this area.	As mentioned earlier, the Authority does not have a counter fraud team. However, the Authority has access to, and will make use of, Counter Fraud Specialists as and when the need arises.  For example, the Counter Fraud Team of DAP are available to assist as and when required.
34. The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	As above.
35. The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: <ul style="list-style-type: none"> <li>• Surveillance</li> <li>• Computer forensics</li> <li>• Asset recovery</li> <li>• Financial investigations.</li> </ul>	As above.
36. Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	Yes. The Authority is committed to ongoing and continual improvement. Any weaknesses identified will be addressed wherever possible, although it should be noted that no system can ever be considered 100% free from the risk of fraud.

